



Amazon's Toll Road

How the Tech Giant Funds Its
Monopoly Empire by Exploiting
Small Businesses

By Stacy Mitchell
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IILSR INSTITUTE FOR
Local Self-Reliance

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About the Author

Stacy Mitchell is co-director of the Institute for Local Self-Reliance and directs its Independent Business Initiative, which produces research and analysis, and partners with a broad range of allies to design and implement policies to reverse corporate concentration and strengthen local economies. She's written several influential reports and articles about Amazon's power. Find her on Twitter [@stacyfmitchell](https://twitter.com/stacyfmitchell).

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Key Findings

Amazon's dominance of online retail means that small businesses have little choice but to rely on its site to reach consumers. This report finds that Amazon is exploiting its gatekeeper power to pocket a growing cut of the revenue earned by these independent sellers. It's doing this by imposing ever-larger fees on them. These exorbitant fees make it nearly impossible for sellers to sustain a viable business online. Most fail.

Operating an unregulated, monopoly tollbooth that sits between businesses and consumers is wildly lucrative. Amazon's revenue from the tolls it imposes on sellers has soared, growing much faster than every other major revenue stream, including Amazon Web Services (AWS), its vast cloud division. These fees generate huge profits for Amazon, a fact that the tech giant conceals in its financial reports.

Amazon's ability to extract such steep tolls from businesses selling online is a striking illustration of its monopoly power. These fees also play a crucial role in how Amazon maintains that power. As this report details, Amazon depends on profits from seller fees to fund massive losses in other areas of its operations – losses that serve to entrench and expand its dominance.

Policymakers must act to end Amazon's exploitation and create an open, dynamic, and competitive online market.

Key Finding: Amazon's fees have grown sharply and are harming independent businesses.

- Amazon pockets an average of 34 percent of each sale made by independent businesses on its site. That's up from 30 percent in 2018, and 19 percent in 2014.
- In just two years, Amazon's revenue from seller fees has more than doubled, rising from \$60 billion in 2019, to \$90 billion in 2020, to a projected \$121 billion in 2021. Seller fees have grown much faster than every other major revenue stream at Amazon, including AWS.
- At a Congressional hearing last year, Jeff Bezos testified that Amazon was taking a larger cut of sellers' revenue because sellers had opted to buy more of its services. In fact, the average price sellers pay simply to list and sell a product has risen by 28 percent since 2015.

- Amazon penalizes sellers that offer lower prices on other, less expensive shopping sites. This thwarts competition by ensuring that Amazon's steep fees inflate consumer prices across the web and not just on its own site.
- The crushing weight of these fees makes it almost impossible for sellers to operate a profitable business. Most fail. Yet Amazon faces no risk of running out of sellers. A growing share of those on its U.S. site are based in China.

Key Finding: Amazon relies on profits from seller fees to fund its monopolization and expansion strategies.

- Marketplace is almost certainly a bigger source of profit than AWS. Although Amazon's financials conceal the profits it makes from seller fees, we estimate that Amazon may have generated \$24 billion in profits from Marketplace in 2020, compared to \$13.5 billion from AWS.
- Profits from seller fees form the linchpin in Amazon's market domination strategy. For one, these profits allow Amazon to sustain huge losses on Prime. By providing free shipping for an annual fee that doesn't come close to covering the cost, Amazon has induced more than two-thirds of U.S. households to join Prime and made its platform the first, and often only, shopping site they visit.
- Amazon also relies on profits from seller fees to prop up its own retail division, enabling it to offer prices on household staples that are on par with big chains like Walmart. This is essential to blocking competition.
- With revenue from seller fees pouring in over the last two years, Amazon spent heavily to buy other companies and expand its U.S. logistics footprint by 70 percent.

Key Finding: To end Amazon's exploitation of small business, policymakers must focus on structural solutions.

- While regulating Amazon's fees is one option, a more market-oriented solution would be to split up Amazon, separating its major divisions into stand-alone companies. This would remove both the incentive and the ability for Amazon to exploit sellers and use the proceeds to fund its monopoly-maintenance strategies.

Introduction & Executive Summary

One of the most striking measures of Amazon’s monopoly power is the extraordinary amount of money that it’s able to extract from the independent businesses that rely on its site to reach customers. In this report, we find that, over the last two years, Amazon’s revenue from the fees it levies on third-party sellers has more than doubled. In 2019, Amazon pocketed \$60 billion in seller fees. This year, its take will soar to \$121 billion, our analysis finds.

To put that in perspective, had Amazon’s third-party marketplace been a stand-alone company in 2020, when it took in \$90 billion in seller fees, it would have ranked 31st on the Fortune 500 list of the world’s largest corporations – bigger than Citigroup, Facebook, and General Electric. This year, with its revenue from seller fees expected to swell by an additional \$31 billion, Amazon Marketplace may end up large enough to qualify for a spot in the top 25 (if it were a stand-alone company).

Operating an unregulated, monopoly tollbooth that sits between businesses and consumers is wildly lucrative.

The staggering scale of these fees provide evidence of Amazon’s monopolization of the online market and the high costs that come with it. Businesses that make or sell consumer goods and want to reach shoppers online have little choice but to sell on Amazon’s site. That’s because more than 60 percent of Americans looking to buy something online start their product search on Amazon, rather than a search engine.¹ In 15 of 23 major product categories, the tech giant captures more than 70 percent of online transactions.² Companies large and small must either sell on Amazon or forfeit access to much of the market.

As we detail in this report, Amazon is exploiting its position as a gatekeeper to impose increasingly steep tolls on these businesses. Using a variety of fees, Amazon now pockets a 34 percent cut of the revenue earned by independent sellers on its site, our analysis found. That’s up from 30 percent in 2018, and 19 percent in 2014.

Operating an unregulated, monopoly tollbooth that sits between businesses and consumers is wildly lucrative. Over the last few years, seller fees grew much faster than every other major revenue stream at Amazon. They grew faster than Amazon’s own retail sales and faster than its Prime membership program. They even outpaced Amazon Web Services (AWS), the company’s massive cloud-computing division. AWS is on track to post about \$61 billion in sales this year – a vast sum, but still only half the revenue Amazon will generate from seller fees.

The first part of this report looks at the size and growth of Amazon’s tolls and the crushing burden they place on independent businesses. The second part examines the pivotal role these fees play in the architecture of Amazon’s monopoly power, and how the company tries to hide that fact. The final section outlines what policymakers must do to restore an open, fair, and competitive online market.

WHEN AMAZON founder and former CEO Jeff Bezos was questioned about Amazon’s soaring fees at a Congressional hearing last year, he insisted that sellers were simply opting to buy more services. Congresswoman Mary Gay Scanlon, referencing data from our first report on this topic, *Amazon’s Monopoly Tollbooth (July 2020)*, asked him, “Doesn’t Amazon’s ability to hike those fees so steeply suggests that Amazon enjoys market power over those sellers?” Bezos replied, “I think what you’re seeing there when you see these fees going up, what’s really happening is that sellers are choosing to use more of our services that we make available.”³

In fact, as we show in this report, Amazon has sharply increased the base price it charges sellers simply to list and sell a product. A few years ago, the base price was Amazon’s referral fee, which, for most items, is a 15 percent cut of the

sale. But since then Amazon has turned over much of the space on its search results pages to sponsored product ads.⁴ Sellers used to be able to rely on good customer ratings to land their products on the crucial first page of search results. But today they must pay for ads to get their products in front of customers. This year, sellers will give Amazon an average of 4.6 percent of their sales revenue to pay for ad space, we estimate. That's up from 3.4 percent in 2020, and 1.1 percent in 2016. This additional cost is not, as Bezos claims, a service; it's a way to extract more from sellers. It's price-gouging.

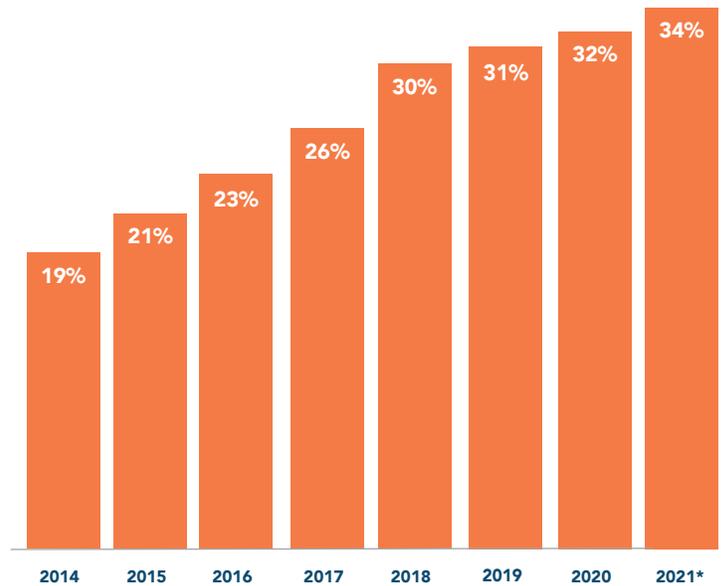
In a similar fashion, Amazon has compelled sellers to buy its warehousing and shipping service, Fulfillment By Amazon (FBA). Amazon's algorithms heavily favor sellers who do so, making FBA all but required in order to generate sales on the site.⁵ As a result, the share of sellers who have left other carriers and signed on to FBA has soared in recent years.⁶ By compelling this captive base of businesses to use its shipping service, Amazon has grown into a major logistics provider almost overnight. Its parcel delivery operation now rivals that of the U.S. Postal Service in scale.⁷ And, over the last few years, Amazon has steadily raised its storage and shipping fees, using FBA as yet another way to squeeze revenue from sellers.

The crushing weight of these fees is capsizing many businesses. When his startup began selling its unique sports apparel on Amazon in 2016, it was a viable business, says Steve, who asked not to be identified for fear that Amazon would retaliate against his company. But then Amazon increased its referral fee for clothing, from 15 percent to 17 percent, and devoted a growing share of the space on its search results pages to sponsored product ads. To sell \$10,000 worth of clothing today, Steve explains, he must pay Amazon \$1,700 in referral fees and spend another \$1,500 to \$2,000 on ads, not to mention a host of smaller fees. "Amazon is now taking more of the pie than I am. And you cannot run a sustainable business like that," he says.⁸

Steve has tried to escape Amazon's grip by selling on other platforms. But he's had no luck generating more than a trickle of orders on these sites. It would help if he could lower his prices on these sites, he says, but Amazon effectively blocks him from doing so under its "fair pricing policy." Even though some competing platforms charge much lower fees, if Steve lowers his prices on another shopping site,

Amazon's Cut of Sellers' Revenue

For every \$100 sellers earn in sales, Amazon is taking \$34 in fees, up from \$19 in 2014.



* Projected for the full year

Notes: Seller fees include advertising revenue from sellers. Sources: Amazon's 10-K filings; eMarketer

Amazon's algorithms punish him by demoting his products in its search results or making them ineligible for the buy-box, which causes his sales to plummet.⁹ He can't afford that, and so he inflates his prices on other sites to match those on Amazon.

Many other sellers do the same. As we noted in our 2020 report, this means that Americans are paying higher prices across the web because of Amazon's steep tolls and its power to compel sellers to inflate their prices elsewhere. Earlier this year Karl Racine, the attorney general of Washington, D.C., filed an antitrust case against Amazon alleging that its pricing policy functions as an "anticompetitive restraint" that has "artificially raised the price of goods to consumers across online marketplaces" and "insulated [Amazon's] dominance."¹⁰ By blocking sellers from offering lower prices on other sites, Amazon has ensured that its own prices appear competitive. This has kept Americans locked into their Amazon shopping habits, which, in turn, has allowed the tech giant to impose ever-steeper tolls on sellers.

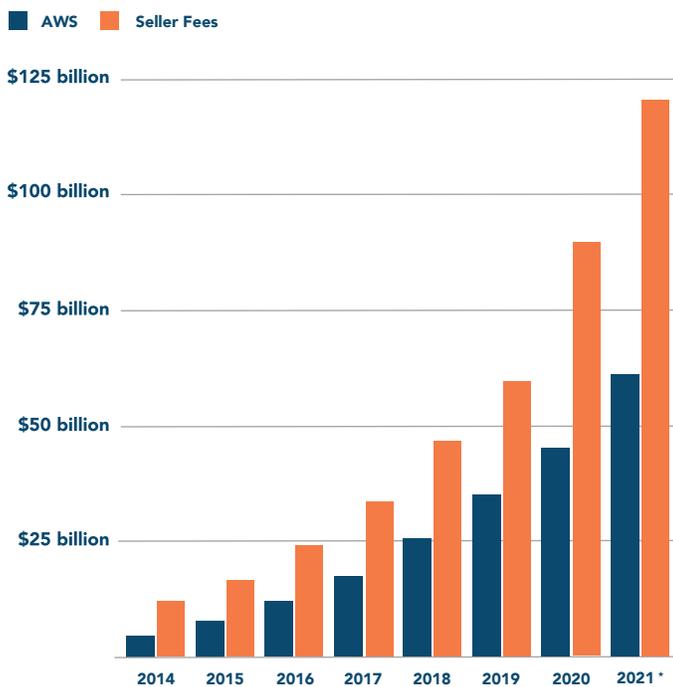
THESE TOLLS are highly profitable. In one of the more eye-opening findings of this report, we conclude that seller fees likely generate more profit than AWS. This contradicts conventional wisdom about the company; news stories

commonly describe AWS as the source of most of Amazon's earnings.¹¹ Indeed, the tech giant's own quarterly financial reports seem to suggest as much. But these reports hide the profitability of seller fees. They breakout profits for AWS separately, but lump together the rest of Amazon's divisions, disclosing only combined profit figures. This allows Amazon to use sizeable losses and expenses incurred in other divisions, namely its Prime program and its own retail sales, to offset, and thus obscure, the outsized profits Amazon extracts from small businesses and other third-party sellers.

Drawing on analysts' estimates of the margins Amazon likely earns on seller advertising and other seller fees, we find that Marketplace may have generated operating profits of \$24 billion in 2020 – significantly more than the \$13.5 billion in profit that Amazon reported for AWS. This is only a rough estimate based on available information. However, given the fact that seller fees generate more than twice the revenue of AWS, and seller commissions and search advertising have negligible marginal costs, there's strong reason to believe that Marketplace is a bigger source of profit than AWS.

AWS has long been seen as Amazon's cash cow. But this report finds that the tech giant has a second cash cow, which it keeps quietly out of view.

Amazon's Revenue from Seller Fees vs. AWS



* Projected revenue for the full year

Notes: Seller fees includes advertising revenue from sellers.
Sources: Amazon's 10-K filings; eMarketer.

MARKETPLACE FORMS the linchpin in Amazon's monopolization strategy. This vast stream of revenue allows Amazon to engage in two anti-competitive tactics that are essential to maintaining its dominance in e-commerce.

It's no surprise that Amazon would prefer to keep secret both its profits from seller fees and its losses on Prime. The former is a product of monopoly power; the latter is a strategy to maintain it.

First, Amazon uses seller fees to absorb massive, multi-billion dollar losses on Prime.¹² These losses are predatory. They're a key way that Amazon locks-in consumers and maintains its hold over the market. By providing free shipping, streaming video, and other perks for an annual membership fee that that doesn't come close to covering the actual costs of these services, Amazon has induced 70 percent of U.S. households to sign up.¹³ Once someone joins Prime, studies show that they tend to make Amazon's platform the first, and often only, shopping site they visit.¹⁴

Second, Amazon uses profits from seller fees to subsidize its own retail division, enabling it to sell household staples, such as diapers and laundry detergent, at prices that are competitive with Walmart. To maintain its ironclad dominance of online retail, Amazon can't just be a third-party marketplace. It also has to be a Walmart supercenter, with Walmart's pricing on the pivotal, high-volume items you'd find in a supercenter. Amazon can't rely on third-party sellers for these items; it sells most of them itself. To keep its prices as low as Walmart's, while providing free shipping and spending aggressively to expand, Amazon uses the revenue it extracts from small businesses and other sellers to cover most of the cost of processing, fulfilling, and shipping its own "first-party" retail orders.

The losses Amazon sustains on Prime's free shipping and selling goods below cost are how it maintains its monopoly power. The profits it reaps from imposing tolls on independent sellers are the rewards of that power. It's no wonder Amazon wishes to keep both sides of this equation a secret. Its financial reports do so by offsetting one with the other.



Amazon founder and former CEO Jeff Bezos

For much of Amazon's history, people thought of it as a retailer. But all along, its founder, Jeff Bezos, was building something else entirely: a corporation that would control the underlying infrastructure that other firms depend on to transact goods, services, and data. This would enable Amazon to collect a tax on large swaths of economic activity. After more than two decades in business, this vision has become a reality and its scale is staggering. In 2014, the tolls Amazon collected from Marketplace and AWS generated \$17 billion, or 19 percent of its revenue. This year, these tolls will bring in \$192 billion, or 41 percent of Amazon's topline. Marketplace alone will account for 28 percent.

Amazon recently claimed it would shutter Marketplace if Congress passes legislation aimed at reining in Big Tech. This report calls Amazon's bluff.

Marketplace and AWS have thrown off so much surplus cash over the last two years that both Amazon's profits and its capital expenditures have soared. In the four quarters leading up to April 1, 2021, Amazon spent nearly \$50 billion on facilities and acquisitions, double what Google spent.¹⁵ Over the last 21 months, with seller fees soaring, Amazon built or submitted plans for 192 new warehouses and delivery centers in the U.S., expanding its fulfillment footprint by nearly 70 percent.¹⁶ It has also swallowed at least 16 companies since 2019, including the leading mesh-router producer, a startup that develops self-driving vehicles, and a top player in the podcast industry.¹⁷ In May 2021, it moved to buy MGM Studios for \$8.45 billion.¹⁸

And yet Amazon continues to downplay its third-party marketplace, presenting it as merely an add-on to its retail business,¹⁹ a service for small businesses, and not the main source of its power and profits. Amazon recently claimed that it would shutter Marketplace if Congress passes a package of legislation aimed at reining in Big Tech. "These bills would jeopardize Amazon's ability to operate a marketplace for sellers," the company declared.²⁰

This report calls Amazon's bluff. It shows that its marketplace is the most lucrative part of its operations, so pivotal to Amazon's strategy that it keeps the platform's profits hidden. Amazon would sooner shutter its own retail division.

The findings of this report make clear the need for action by policymakers. Absent intervention, Amazon will continue to exploit smaller businesses and use the revenue it extracts from them to spin its monopoly flywheel, pulling an ever larger share of our economy under its control.

Over the last few years, Amazon has faced growing scrutiny for spying on sellers, copying their products, and giving its own brands preferential placement in search results. But this isn't the only, or even most significant, way the tech giant steals from them. It also pockets a large and growing cut of their revenue through the fees it charges.

To stop Amazon from gouging sellers and using the proceeds to expand its dominance, policymakers must target its market power directly. Because its monopolization strategy, and its control over sellers, depends on the integration of its various divisions, policymakers should focus on undoing that integration. An effective policy solution would separate Amazon's marketplace, retail division, AWS, and logistics operation into stand-alone companies. This would compel these divisions to compete on their own merits, releasing Amazon's hold over the online market and opening the way for other shopping sites to vie for both shoppers and sellers, including by offering sellers lower fees.



PART 1

How Amazon Price-Gouges Sellers

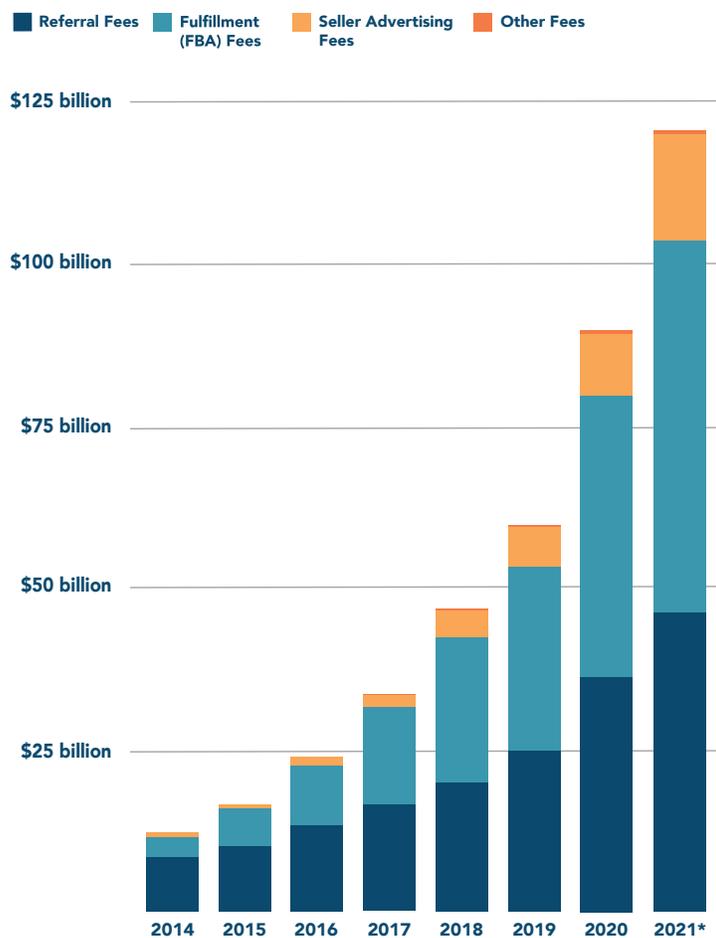
“Amazon has us by throat,” says Steve, the entrepreneur whose company sells hoodies and tee-shirts with unique sports-themed designs. “We have tried numerous times to become independent of them. We tried [selling] though Poshmark, through Etsy, through Instagram, through Facebook. We tried Wish. We tried Sears,” he recounts. At one point, he tried hiring an external marketing team and making large ad-buys on Google to attract traffic to his own site. But still, he says, “Even selling on multiple sites, I was doing only a tenth of the volume that we had on Amazon. They own such a huge chunk of the market.”

Amazon has made small businesses a centerpiece of its public relations and lobbying efforts. In Washington, D.C.-focused publications such as *Politico*, for example, Amazon has run ads featuring small business owners and referring to its relationship with them as a “partnership.”²¹ In a recent blog post, Brian Huseman, Amazon’s vice president of public policy, declared, “We admire our small business partners’ entrepreneurial spirit.”

In fact, small businesses have little choice but to sell on Amazon, and the relationship is often predatory. Amazon's power over independent businesses stems largely from its position as a gatekeeper. More than 70 percent of American households subscribe to Prime and most Prime members head to Amazon when they want to buy something online.²² This means firms of all sizes must sell on its platform to reach customers. Amazon has exploited this dependence in multiple ways, including by copying sellers' top products.²³ But the primary way Amazon exploits its power over sellers is by siphoning off a growing share of their revenue for itself.

This year, we estimate that Amazon will collect \$121 billion in tolls paid by sellers, including referral fees, advertising costs, storage and shipping fees, and other charges. This massive haul is up from \$90 billion in 2020 and more than twice the \$60 billion that Amazon collected from sellers in 2019.

Amazon's Seller Fee Revenue by Category



* Projected for the full year

Notes: These are estimates based on ILSR's analysis of data in Amazon's 10-K filings, data from eMarketer, and Amazon's rate cards for various seller fees.

It's also double the \$61 billion AWS will generate in sales this year. Amazon's marketplace alone is now producing a bigger stream of revenue than the annual sales of most large corporations, including Bank of America, Facebook, and Procter & Gamble.

Amazon's take from sellers has multiplied tenfold since 2014. Last year, seller fees overtook AWS to become the fastest growing segment of Amazon's major business lines. Seller fees now account for more than one-quarter of Amazon's revenue. That's up sharply since 2014, when seller fees amounted to less than 14 percent of the dollars the company took in.

Sellers have no viable alternatives. As a result, Amazon can keep increasing its fees without penalty.

Seller fee revenue is soaring in part because more consumer spending is shifting to Amazon's site: it's taking a cut of a bigger pie. But this is only part of the story. Another reason Amazon's fee revenue has risen so sharply is because it's taking a larger cut of every dollar that sellers make on the site. In 2014, sellers handed Amazon \$19 of every \$100 in sales they made. By 2018, Amazon's cut had soared to \$30. Today, it's \$34.

This is an average. Many sellers, especially those based in the U.S. and running full-fledged businesses, are giving Amazon even more. For our 2020 report, *Amazon's Monopoly Tollbooth*, the Michigan-based business Top Shelf Brands allowed us to review its Amazon seller account. We found that, in 2018, Amazon took 46 percent of Top Shelf's sales in fees.²⁴ After Top Shelf paid its suppliers, that left just 13 percent of its revenue to pay nearly 50 employees and cover the rest of its expenses. In other words, Amazon was netting more than three times as much revenue from Top Shelf as the company and its employees were making. By 2018, the business, which had made a modest profit in 2016 and 2017, was losing money. If you "actually add up all the ways Amazon nickels and dimes you... you can't make money," Top Shelf's owner, Doug Mrdeza, told us. He has since laid off his employees and filed for bankruptcy.

Customers usually penalize companies that charge excessive prices by switching to a lower-priced competitor. But Amazon's lock on the majority of U.S. online shopping traffic means that it faces no risk of losing sellers, because sellers have no viable alternatives. As a result, Amazon can keep increasing its prices without penalty. Indeed, an internal Amazon document obtained by the House Judiciary Committee shows this. The memo references price hikes that Amazon imposed on sellers in 2018 and notes that "seller attrition as a result of fee increases" was "[n]othing significant."²⁵

In 2014, sellers handed Amazon \$19 of every \$100 in sales they made. Today, it's \$34.

"When you are small, someone else that is bigger can always come along and take away what you have," Amazon founder and chair Jeff Bezos once said.²⁶

Buckling under the weight of these fees, most sellers fail to build sustainable businesses. Much as Amazon's warehouses churn through workers, Marketplace is a constant churn of sellers, as small businesses, desperate to reach the online market, try and fail.²⁷ Over time, Amazon has increasingly turned to sellers based in China, who now account for almost half of the top 10,000 sellers on its U.S. Marketplace.²⁸

"Luckily my product is great and people love it and it has a very unique look to it," says Steve, whose love of sports led him first to a career in sports talk radio and then to designing team-themed apparel. "But I worry about what Amazon is going to do to tank my business," he says. "I have tried and tried to find a way to become independent of them and I can't."

Amazon's Baseline Toll: Referral Fees

Amazon's fees take three main forms.²⁹ Referral fees are the cut that Amazon takes off the top of every sale. Then there are fees for two kinds of services that Amazon presents as optional, but that are in fact, as we detail below, necessary for most sellers if they want to generate sales on the site: Amazon's product advertising and its warehousing and shipping services.

For most products, Amazon's referral fee is 15 percent.³⁰ A few categories, such as clothing, have higher fees (17 percent), and a few, such as large appliances, have lower fees (8 percent). With referral fees, Amazon takes its cut right off the top, regardless of a seller's costs or margins. Unlike its own retail sales, Amazon incurs none of the expense of sourcing inventory or the risk that it won't sell. It free-rides on the product-knowledge and risk-taking of the seller.

As we observed in *Amazon's Monopoly Tollbooth*, "What's remarkable about Amazon's referral fees is that they've remained at the same level, more or less, for 20 years." When Amazon launched its Marketplace for sellers in 2000, its standard fee was 15 percent. Since then, the corporation has grown more than a hundredfold. This growth, combined with its low marginal costs (processing additional sales on its site creates very little additional expense), should have driven fees down.

And yet, Amazon's 15 percent cut has held firm, which suggests that it faces no competitive pressure to lower prices, even as its operations have grown and presumably become more efficient. Indeed, other marketplaces charge notably lower commissions. At Etsy, sellers pay a transaction fee of just 5 percent.³¹

Demanding a Bigger Cut: Advertising

Referral fees used to be the main cost of selling products on Amazon's site. But to generate sales today, most sellers also must buy advertising. Over the last few years, Amazon has converted much of the space on its search results pages to sponsored product ads.³² This has dramatically reduced the space devoted to organic search results, which means that businesses can no longer rely on good customer ratings to land their products on the crucial first or second page of the results. (Also gone are many of the recommendation carousels³³ that used to appear on product pages – e.g., "Customers who viewed this item also viewed." Amazon has replaced most of these with blocks of advertising – e.g., "Products related to this item.") Buying advertising has become "a must for marketplace participants," according to eMarketer.³⁴

Amazon is on track to generate about \$27 billion in advertising on its platform in 2021, we estimate, with almost \$17

billion coming from third-party sellers (and the rest from brands that supply Amazon's retail division).³⁵ That's nearly double the \$9 billion in advertising fees that Amazon collected from sellers in 2020. Amazon is expected to squeeze even more from sellers and suppliers in the coming years. Analysts at Cowen predict its ad revenue will soar to \$85 billion by 2026.³⁶

Steve's company experienced a sudden drop in sales. "They said, Well, aren't you running ads?" he recalls. "So now we have to run ads."

In 2021, sellers will forfeit an estimated 4.6 percent of their sales revenue to buy ads from Amazon. That's up from 3.4 percent in 2020, 2.7 percent in 2018, and 1.1 percent in 2016. In effect, advertising has given Amazon a way to hike the cost of selling on its site without increasing its referral fees. If you combine referral and advertising fees, the average commission Amazon charges an independent business to make a sale on its site has risen by more than 28 percent since 2015. This is a global average. For sellers on Amazon's U.S. platform, which has converted more space to advertising, the cost has likely risen even more.

"I think it really started kicking in in 2017," says Steve, the sports-apparel seller, referring to the pressure to buy advertising. That year, his company experienced a sudden drop in sales. He asked an Amazon account manager what was going on. "They said, Well, aren't you running ads?" he recalls. "So now we have to run ads." Initially, Amazon's ad representatives presented it as something he would need to do only periodically. "They sold it as: when you have a new design, advertise it and then when your sales rank is up, you can pull the ads," he says. But now, even on products that are well-established and have lots of customer reviews, "if you shut off your ads for a week, your sales drop dramatically."

Sellers that decline to advertise not only give up access to the most visible space on Amazon's search results pages. They also risk losing their place in Amazon's organic search

results, no matter how many glowing customer reviews they have. As we noted in *Amazon's Monopoly Tollbooth*: "That's because the Amazon algorithm that delivers the search results favors products with more sales. As more orders are driven by ads, sellers than don't advertise lose out on those sales and, as their share of sales declines, they also slip in the search rankings, further reducing their sales in a negative cycle."

Businesses often measure the value of advertising as the cost of acquiring a customer. Once you have a relationship with a customer – once that person has joined your email list, for example, or decided to seek out your brand in stores – you can sell to them without incurring more advertising costs. On Amazon, though, advertising doesn't work this way. It's just another toll, a fee businesses have to pay when a shopper clicks through to their product page.

To keep these fees flowing, Amazon blocks sellers from building relationships with their customers by sharply restricting their ability to communicate with them.³⁷ Earlier this year, it implemented a policy that prevents most sellers from even seeing the names and locations of the people buying their products.³⁸ "Amazon has gotten more strict and more strict about having access to our customers," notes Steve. "If I had access to my 70,000 customers, I don't need Amazon. Obviously, they don't want that."

Building a Logistics Empire: Fulfillment Fees

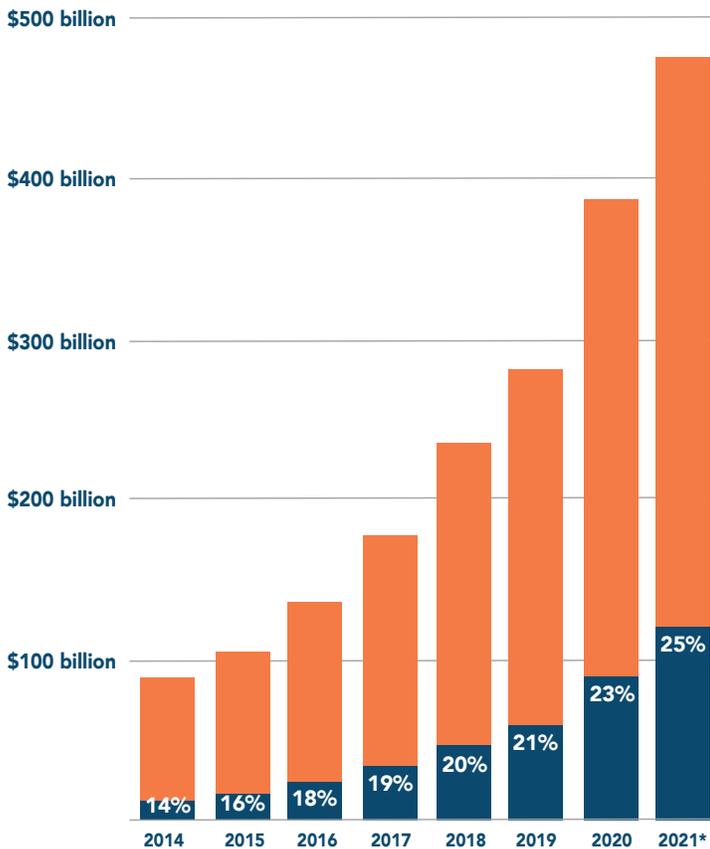
The last major component of the tolls Amazon collects from sellers are the various fees associated with its warehousing and shipping service, Fulfillment By Amazon (FBA). When Amazon first launched FBA in 2006, only a small fraction of sellers signed up for it. Most opted to use other parcel carriers, such as UPS or the U.S. Postal Service. They found the rates were better, or they simply preferred to maintain control over their own shipping and customer service, rather than letting Amazon take over these functions.

But after 2011, the share of sellers signing up for FBA began to climb. By 2016, 56 percent of the top 10,000 sellers were using FBA.³⁹ Today, 84 percent of the top 10,000 sellers on Amazon use FBA.⁴⁰

What drove this wholesale shift was not better pricing or superior service. Sellers found that they had to use FBA to continue generating sales on Amazon's site. That's because, in 2011, Amazon began to make a concerted push to expand Prime, by adding new perks like streaming video.⁴¹ By 2016, the number of Prime members in the U.S. had soared to 65 million, and then hit 112 million in 2019.⁴² As more Americans joined and started seeking out products that qualified for Prime's free 2-day shipping, it became imperative for sellers to sign up for FBA, because doing so made their items Prime-eligible.

To further prod sellers to use FBA, Amazon also embedded a preference for sellers using FBA in its "buy box" algorithm.⁴³ This algorithm controls which seller is chosen as the default option for a particular product. Being chosen ("winning the buy box") makes all the difference for a seller: more than 80 percent of the time, shoppers choose the default seller.

Seller Fees as a Share of Amazon's Total Revenue



*Projected for the full year

Notes: Seller fees includes advertising revenue from sellers.
Sources: Amazon 10-K filings; eMarketer.

Amazon thus made a business's ability to generate sales on its marketplace, which dominates online shopping traffic, contingent on buying its warehousing and shipping services. Not surprisingly, the number of sellers using FBA has risen rapidly. Almost overnight, Amazon has become a top player in the logistics sector without having to compete for it. In 2020, Amazon delivered nearly 70 percent of its own packages, up from 46 percent the year before, and it's fulfilling a growing number of orders on other sites as well.⁴⁴ Analysts expect that Amazon will soon surpass UPS and the U.S. Postal Service in volume. Last year, these two carriers delivered about 7.3 billion packages each, while Amazon delivered 5 billion.⁴⁵

Amazon made a business's ability to generate sales on its marketplace contingent on buying its warehousing and shipping services.

Leveraging control over access to a crucial market, product, or service to compel users to purchase a second service is known as "tying" in antitrust law. It's problematic because it allows a corporation that dominates one market to become dominant in another market without having to compete for it.

Amazon's revenue from FBA fees has swelled dramatically over the last seven years. In 2014, Amazon collected about \$3 billion in FBA fees, we estimate. By 2017, FBA was generating \$15 billion in fees. Three years later, in 2020, these fees had almost tripled, to \$44 billion. This year, Amazon is on track to collect roughly \$57 billion in FBA fees. (By comparison, the U.S. Postal Service had revenue of \$73 billion last year.⁴⁶)

Amazon's FBA revenue has risen partly because more sellers have signed up and partly because it's sharply increased the price of these services. Between 2013 and 2016, Amazon raised the price of storing items in its warehouses by 69 percent, and then raised it by another 41 percent between 2016 and 2020.⁴⁷ Its storage fees are higher than those of its competitors.⁴⁸ Shipping fees have also gone up. These fees vary based on the size of the item, but last year, we calculated costs for a diverse mix of 34 products and found that, between 2013 and 2020, shipping fees increased

significantly for nearly every item. The price sellers paid to ship a hammock rose by 22 percent, a doll by 72 percent, and a phone case by 138 percent.⁴⁹

Nevertheless, most sellers cannot afford to shop around, because if they switch to another provider, Amazon's algorithms will penalize them and tank their sales.

Amazon's ultimate goal is to dominate e-commerce logistics. Amazon already provides multi-channel fulfillment, through which businesses can use FBA to ship orders placed on other sites – so if you order directly from a small business, it might show up in an Amazon box. (Many smaller businesses can't afford to keep inventory in two systems and therefore end up using FBA for all of their orders.) Amazon is now moving to significantly expand this operation. "Our vision is ambitious – to fulfil orders for customers around the world, regardless of where the transaction occurs," Amazon noted in an internal strategy memo obtained by the *Financial Times*.⁵⁰

As with everything the tech giant does, an advantage of this move is that it allows Amazon to surveil its rivals: by shipping their orders, Amazon will get to see what's selling on other sites and where those orders are going.

Amazon's dominance in logistics threatens to further entrench its monopoly power in e-commerce. If the tech giant outstrips UPS and the U.S. Postal Service in the speed and scope of its shipping network, it would create yet another major entry barrier for a rival marketplace, which could neither hire nor build an equally fast service. In other words, these two parts of Amazon – its marketplace and logistics division – function as a monopoly feedback loop, each furthering the dominance of the other.

Blocking Competition and Driving Up Consumer Prices

In a competitive market, the problem of Amazon's steep seller fees would solve itself. Sellers would raise their prices on Amazon to reflect the high cost of selling there, while offering lower prices on other, less expensive platforms. Consumers would gravitate to those other sites, putting pressure on Amazon to lower its fees.

But Amazon has found a way to block this from happening. Under its "fair pricing" policy, if Amazon detects that a seller is offering a lower price elsewhere, it will suppress the visibility and sales of the item on its site by demoting it in search results, deleting its Prime badge, or removing the "buy now/add to cart" buttons from the product page. Sellers cannot risk any of these actions. For many sellers, Amazon accounts for the vast majority of their sales. The only way to absorb its high fees is to raise their prices across every site they sell on.

"Far from enabling consumers to obtain the best products at the lowest prices, these practices instead cause prices across online marketplaces to be artificially inflated," noted D.C. Attorney General Karl Racine in the antitrust suit he filed against Amazon this year.⁵¹

Amazon's steep tolls are inflating consumer prices across the web.

By compelling sellers to raise their prices on other sites to match those on Amazon, the tech giant can continue to hike seller fees and suffer no repercussions. Amazon maintains its image as low-priced, competing sites can't get a toehold, and consumers stay locked in to their Amazon shopping habits.

This tactic also provides a striking illustration of how the distinct features of digital technologies can amplify market power. Through its automated bots and algorithms, Amazon can detect a seller's price cuts on other sites and instantly respond on its own site by demoting the seller and re-directing shoppers to a different product or seller – and it can do this continuously across millions of listings. This is an extraordinary level of precise and finely tuned power that simply isn't available to brick-and-mortar retailers.

Among other things, it allows Amazon to exert control over pricing far beyond its own platform, which suggests that its market power in e-commerce is even greater than its roughly 50 percent market share would suggest.⁵² Independent retailers and product-makers have no escape.



PART 2

Seller Fees are the Linchpin in Amazon's Monopolization Strategy

For much of Amazon's 26 year history, the nature of what Jeff Bezos was building wasn't readily apparent if you looked at how his company made its money. As recently as 2015, nearly three-quarters of Amazon's revenue came from its retail division – that is, from its own direct sales of goods to consumers. Amazon looked like a retailer and was often mistaken for one.

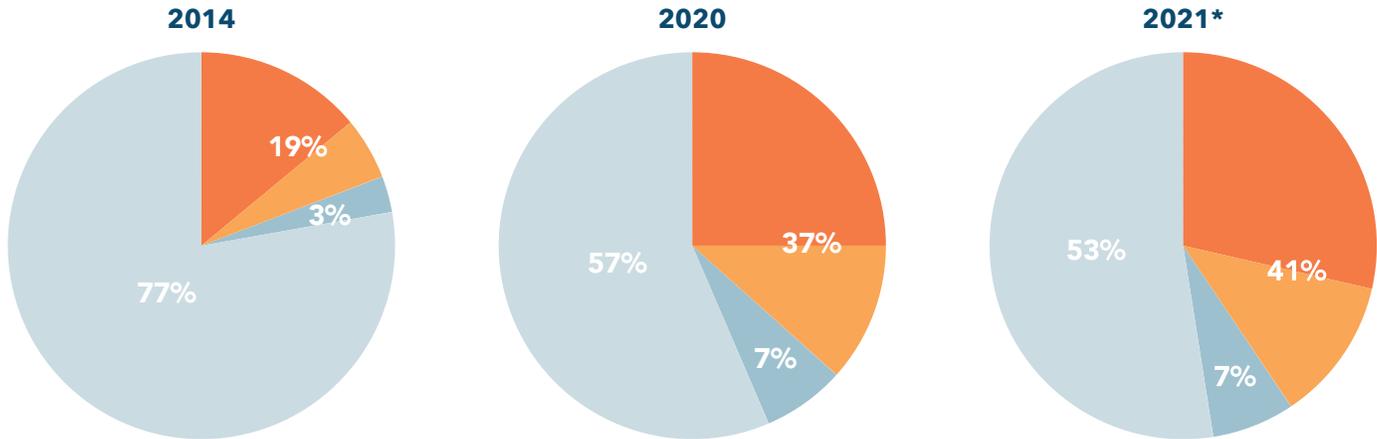
Since then, Amazon's retail sales have grown considerably, but even so, this year, its retail division will supply only about half of the company's revenue. That's because it's rapidly being overshadowed by the massive surge of cash coming in from Amazon's tollbooths. This year, Amazon will derive 28 percent of its revenue from the tolls it levies on Marketplace (including advertising fees paid by both vendors and third-party sellers). Another 13 percent will come from the fees Amazon collects from AWS, which hosts the data, services, and computing functions of a huge number of companies, from Netflix to General Electric.

A Growing Share of Amazon's Revenue Comes from the Tolls it Levies on Other Businesses

* Projected revenue for the full year.

Notes: Marketplace fees include advertising revenue from sellers and vendors. Figures may not sum to 100% due to rounding. Sources: Amazon's 10-K filings; eMarketer.

Marketplace & AWS Fees Direct Retail Sales Prime Fees



Amazon's revenue mix is finally beginning to reflect what Bezos has been building all along: a corporation that operates critical infrastructure for other companies and exploits this structural power to further its own dominance. One way it does this is by surveilling the activities of other firms and using the insights it gleans to develop its own competing products and services.⁵³ Another way is by imposing lucrative tolls on the stream of goods, services, and data moving through its pipelines. In effect, Bezos has developed a way to tax a large swath of the economy, including the trade of rival firms and small businesses.

In 2014, tolls from Marketplace and AWS generated \$17 billion and represented 19 percent of Amazon's revenue. Last year, Amazon took in \$142 billion from these fees, about 37 percent of the \$386 billion it reported in revenue. This year, we expect Amazon's take from these two tollbooths to reach a staggering \$192 billion and account for 41 percent of its top line.

But looking only at how much Marketplace and AWS contribute to Amazon's revenue doesn't capture the full significance of these tollbooths. As the rest of this section details, these tolls supply virtually all of Amazon's profits, fund its monopolization strategy, and fuel its expansion into new markets.

Marketplace is Likely a Bigger Source of Profit than AWS

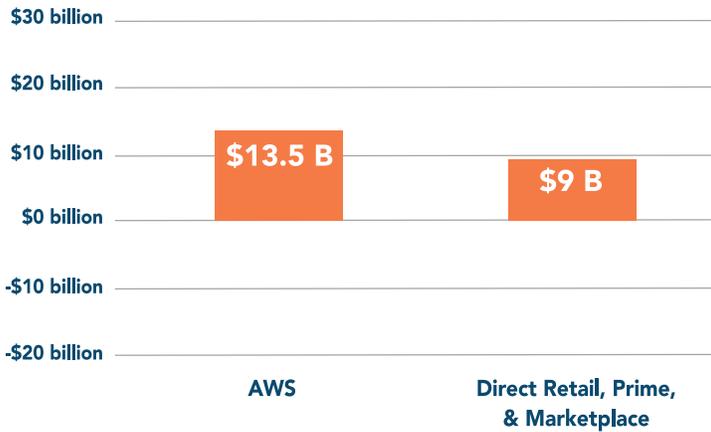
Much of the reporting on Amazon assumes that the vast majority of its profits and surplus cash for capital expenditures come from its cloud computing division. "Amazon Web Services has been the company's main profit driver," the *Wall Street Journal* noted in February.⁵⁴ AWS "is critical to Amazon's expansion plans, thanks to its profitability," echoed CNBC in April.⁵⁵

Bezos has developed a way to tax a large swath of the economy, including the trade of rival firms and small businesses.

But this assumption is only half right at best. AWS is indeed a rich source of profit, but so is Marketplace. In fact, there's good reason to believe that Marketplace is an even bigger source of profit than AWS.

One reason we don't know for sure is that Amazon keeps its profits from seller fees hidden. Its quarterly financial reports disclose revenue from six divisions: online stores, physical stores, third-party seller services (excluding advertising),

Amazon's Reported Operating Profit in 2020



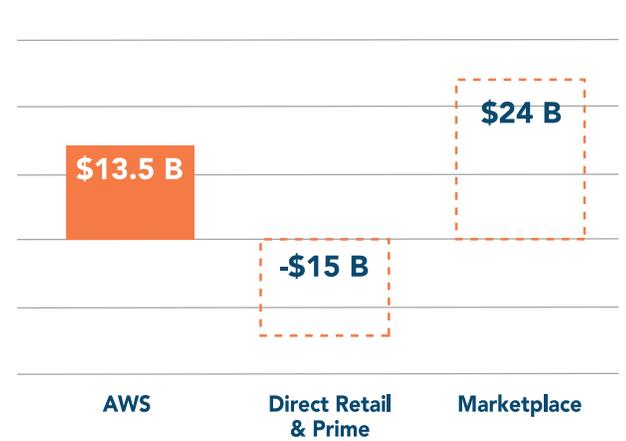
subscription services (mostly Prime), AWS, and “other,” which is mainly advertising revenue. But when these reports turn to the subject of income (profits), the figures are no longer broken out into these six segments. Only AWS gets a separate line. Amazon combines the rest of its business segments, reporting only combined profit figures for Marketplace, Prime, and its retail division.

This reporting maneuver allows Amazon to conceal how much profit it takes from seller fees by offsetting that income with massive losses from the other two divisions. Amazon loses billions of dollars on Prime’s free shipping.⁵⁶ These losses are strategic and deliberate; they’re a form of predatory pricing that Amazon uses to lock in consumers and control the market. By picking up nearly all of Amazon’s shipping and warehousing costs, sellers also effectively subsidize its retail division. This enables Amazon to sell household staples delivered to your door at prices as low as Walmart’s, another crucial way it thwarts competition and ensures its continued dominance. (More on these strategies in the next section.)

It’s no surprise then that Amazon prefers to keep secret both its profits from seller fees and its losses on Prime. The former is a product of monopoly power; the latter is a strategy to maintain it. Amazon’s financial reports hide both by offsetting one with the other. They direct attention instead to AWS and seem to suggest that most of Amazon’s profits come from its cloud division – a false narrative that many reporters and others have picked up and repeated.

In 2019, the House Judiciary Committee’s antitrust subcommittee, as part of a 16-month investigation of digital markets, asked Amazon to disclose the expenses and profits

Estimate of How This Breaks Down



for several of its divisions, including Prime, Marketplace, Fulfillment By Amazon, and its advertising business. Amazon refused.⁵⁷

Amazon’s lack of disclosure makes it impossible to know exactly how profitable Marketplace is, but one can sketch a rough idea. Analysts believe that Amazon’s margins on third-party seller services (all seller fees excluding advertising) are roughly 20 percent.⁵⁸ That works out to \$16 billion in profits. If we assume that Amazon’s margin on seller advertising is 50 percent, which is a conservative figure for digital advertising,⁵⁹ that adds another \$8 billion in profits from sellers in 2020.

Combined, this would mean that Amazon pulled down \$24 billion in profit from the tolls that it levied on businesses to sell their products on Marketplace in 2020. This is substantially higher than the \$13.5 billion in profit Amazon reported for AWS. Although only a rough estimate, this figure begins to give a sense of the magnitude of Amazon’s gatekeeper power and its extraordinary ability to extort money from smaller businesses.

How Seller Fees Spin Amazon’s Monopoly Flywheel

Amazon maintains its grip on the online market – and its power to impose ever-steeper tolls on businesses – by using the proceeds from these tolls to subsidize large, predatory losses in two other areas of its operations.

The first is its Prime membership program. For a \$119 annual fee, Prime members get free shipping, streaming video, and

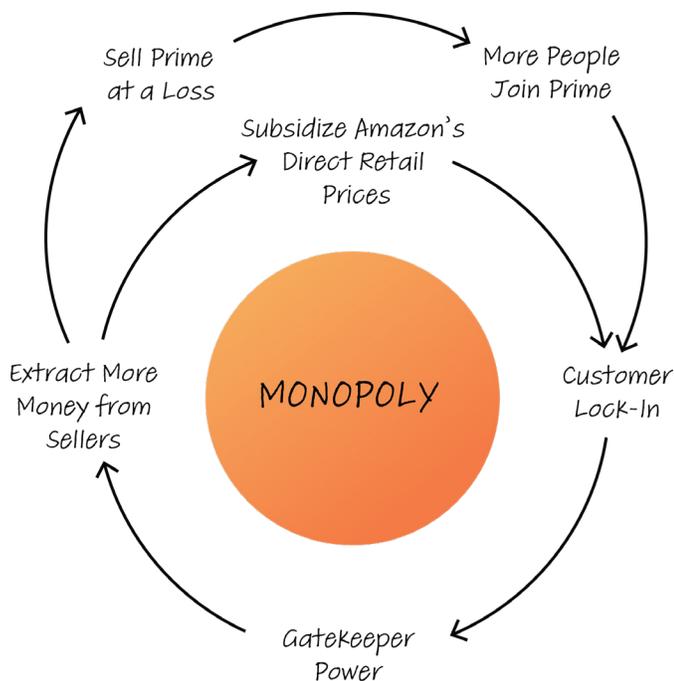
other perks. These benefits are worth about \$1,000 to the consumer, more than eight times the fee, according to an analyst at JP Morgan.⁶⁰ “We want Prime to be such a good value, you’d be irresponsible not to be a member,” Jeff Bezos said in 2016.⁶¹

Prime is indeed irresistible: an estimated 142 million Americans have signed up.⁶² Once people pay the annual fee, they naturally want to maximize its value by taking advantage of as much free shipping as possible. Prime members tend to default to shopping on Amazon, often making it the first and only place they search for a product.⁶³

Providing Prime’s free shipping is a major money-loser for Amazon,⁶⁴ but it delivers a big payoff. By getting people to sign up for Prime, Amazon maintains control over the e-commerce market and, with it, the power to impose steep and highly profitable tolls on small businesses and other sellers.

Bezos himself has openly described this strategy, as we’ve noted before. In his 2015 letter to shareholders, he wrote about it: “Thanks to FBA, Marketplace and Prime are no longer two things. Their economics...are now happily and deeply intertwined.”

Amazon's Monopoly Flywheel



If Marketplace is so profitable for Amazon, why does it bother with its own “first-party” retail sales? One reason is that direct retail plays a crucial role in its dominance. While Amazon relies on third-party sellers to supply more than half of the goods sold on its site, it can’t rely on them for a particularly pivotal set of products. These are the household staples – like diapers, laundry detergent, and so on – that you’d find in a Walmart supercenter. These items heavily influence people’s choices about where they shop each week. Amazon has to be price competitive with Walmart on these products, and it has to do so while providing free shipping and spending heavily to expand its logistics operation.

The way Amazon keeps its prices in-line is by getting sellers to pick up many of the costs for its own retail sales. This is the second way sellers fund Amazon’s monopolization strategy.

Here’s how the math works. Amazon reported \$120 billion in shipping and fulfillment expenses in 2020. These expense categories include the cost of operating its warehouses, shipping products, providing customer service, and processing payments. (They include costs for both its third-party marketplace and its own retail sales.) Fees from Prime members covered only about one-fifth of these expenses. The other 80 percent, \$95 billion, was almost entirely picked by sellers, who paid Amazon \$90 billion in fees last year.

In other words, Amazon doesn’t need to build the cost of shipping and customer service into its own retail prices; it makes independent sellers pay these costs instead. This is a key way that Amazon sidesteps competition from other retailers and keeps its dominant hold on the online market.

Bezos often uses the term “flywheel” to describe the growth machine he’s created. The idea is that momentum in one area of Amazon’s business drives momentum in another, which in turn powers the first, and so on, creating a machine that spins ever faster. This is a metaphor for monopolization.⁶⁵ It perfectly describes the feedback loop created by using below-cost pricing to lock-in consumers, and then using that control over the market to price-gouge sellers. Each fuels the other, spinning Amazon’s flywheel faster and pulling more of the economy into its orbit.

If Amazon could no longer impose steep tolls on sellers, it would lose its ability to monopolize e-commerce. It would

not be able to maintain its hold by forcing sellers to subsidize Prime and Amazon's own retail prices. Consumers would start shopping around. Other platforms would compete for these shoppers, and also for sellers, by offering them lower fees and better services. Amazon would face real and much needed competition. It would become one player among many options, not the single dominant platform it is today.

Sellers Fund Amazon's Expansion into New Markets

Amazon's lucrative tollbooths generate even bigger returns than the profit figures above suggest. Marketplace and AWS likely supply nearly all of the operating surplus that the tech giant uses to finance its breakneck expansion, including rapidly building out facilities, buying leading companies, and subsidizing below-cost pricing to take share in new markets.

In the year leading up to April 2021, Amazon spent almost \$50 billion on capital expenditures, a staggering sum and about twice what Google spent.⁶⁶ Amazon didn't even have to finance much of this outlay, as tech investor Charles Fitzgerald has noted. It paid for three-quarters of this "absolutely bonkers" level of capital investment with cash.⁶⁷

One of the most striking examples of Amazon's rapid expansion is its logistics division, which, in just a few years, has grown to rival UPS and the U.S. Postal Service in scale. Amazon built this capital-intensive operation on the backs of independent businesses. As revenue from seller fees began to climb after 2014, Amazon went on a warehouse-building spree. Since then, its fulfillment infrastructure has expanded at a rate that closely tracks the growth of seller fees.

At the start of 2020, Amazon's network of warehouse and delivery centers had grown to 272 million square feet, up from 102 million square feet in 2014.⁶⁸ Over the last 21 months, with seller fees soaring, Amazon has built or submitted plans for another 134 million square feet of fulfillment space in the U.S. alone, including 192 warehouses, air cargo facilities, and delivery centers.⁶⁹ This expands its fulfillment footprint by nearly 70 percent.

With sellers helping to foot the bill for this infrastructure and forming a captive base of customers for it, Amazon has become a top player in parcel delivery practically overnight.

In 2020, Amazon handled 5 billion packages, up from 2.5 billion the year before.⁷⁰ It's rapidly taking market share from the U.S. Postal Service and UPS, each of which delivered about 7.3 billion parcels last year.⁷¹

Amazon has also pushed into brick-and-mortar retail. Analysts expect it to expand its chain of Amazon Fresh supermarkets, now at 18 locations, to more than 1,200 stores.⁷² It operates two dozen bookstores and is laying plans to open department stores and a chain of pharmacies, too.⁷³ And Amazon has invested several billion dollars in an extensive second headquarters in metro Washington, D.C., which will give the corporation new prominence and influence in the nation's capital at a time of intensifying concern about its dominance.

Flush with cash siphoned from independent sellers, Amazon has bought at least 16 companies over the last three years.

Another way Amazon leapfrogs into new markets is by buying companies that are already there. Flush with cash siphoned from independent sellers, Amazon has bought at least 16 companies over the last three years.⁷⁴ These included Eero, a leading producer of mesh-router technology, which is central to Amazon's ambition to control the smart home, and Wonderly, a leader in the podcast and audio-streaming market. Amazon also bought Bebo, a social networking platform, and Zoox, a producer of self-driving vehicles. In May of this year, it petitioned antitrust enforcers to allow it to buy MGM Studios for \$8.45 billion.⁷⁵ The acquisition would add more value to Prime, enhancing Amazon's grip on e-commerce, and fortify its growing position in the entertainment industry.

Amazon's Marketplace riches also allow it to experiment in still other areas. It's recently made moves in large and pivotal sectors of the economy. Its forays into healthcare include a transcription service that uses machine-learning to transcribe and extract health data from notes spoken by doctors; a medical supplies business that sells to hospitals; and Amazon Care, which provides virtual and in-person health care services in Washington state.⁷⁶



CONCLUSION

How Lawmakers Must Respond

Amazon has faced growing scrutiny for spying on sellers, copying their products, and giving its own brands preferential placement in search results.⁷⁷ But this isn't the only way the tech giant steals from them. It also pockets a large and growing cut of their revenue through the fees it charges. The sheer scale of these tolls and Amazon's ability to keep hiking them are striking indications of its monopoly power. Amazon captures billions of dollars in profits from third-party sellers, even as these sellers, struggling under the weight of its steep fees, often fail to sustain viable businesses.

Amazon has long sought to downplay the financial significance of its marketplace, including by refusing to disclose its profitability. Raking in billions of dollars in profits off the backs of a captive base of small businesses is not a good look. But there's an even bigger risk for Amazon. Because its financial reports combine results from Marketplace with those of Prime and its retail division, to disclose Marketplace's profits, Amazon would also have to reveal how much money it loses providing Prime's free shipping on its own retail orders.

Selling below cost is a well-established tactic for monopolizing markets. Disclosing the massive scale of these losses, and their ongoing nature, would lay bare Amazon's mechanism for maintaining its market dominance. Revealing its outsized profits from Marketplace would show the rich rewards of that dominance.

As a result of Amazon's stranglehold, hundreds of thousands of independent retailers and consumer product makers that might otherwise succeed in the online market have instead been thwarted. With consumer spending increasingly moving online and into Amazon's domain, these businesses face a dim future absent action by policymakers. Their numbers have been trending downward as Amazon has grown.⁷⁸ Losing these small firms and the dynamism they create comes with substantial costs to the country. It means less innovation, fewer jobs, and weaker local economies and communities.

Hundreds of thousands of independent businesses that might otherwise succeed in the online market have been thwarted by Amazon. These businesses face a dim future absent action by policymakers.

One option available to policymakers would be to accept Amazon's dominance and regulate it as a public utility. This would include regulating the rates it can charge sellers. A more market-based solution would be to target Amazon's monopoly power directly, with the aim of opening the way for other shopping platforms to grow and compete for both

sellers and shoppers. Because Amazon’s market domination strategy relies on the integration of its different divisions, policymakers should focus on undoing that integration. They should spin off its retail division, marketplace, AWS, Alexa, and logistics into separate companies.

Splitting up Amazon would eliminate both its incentive and ability to use seller fees to cross-subsidize predatory losses in other divisions. As stand-alone companies, each of Amazon’s divisions would have to compete on its own merits. Its package delivery operation would need to vie with other carriers, rather than simply strongarming sellers. Its retail spin-off would no longer be able to mine sellers’ data to inform its own products or secure preferential placement over other sellers. Amazon Marketplace would find itself facing growing competition from other shopping sites offering lower fees to sellers and better prices and options to shoppers.

Legislation to split up Amazon has already passed the House Judiciary Committee, as part of a package of bills designed to check the outsized power of Amazon, Apple, Facebook, and Google. The bills were introduced and passed in June following the committee’s 16-month, in-depth investigation of digital markets. (In addition to the breakup bill, a second bill would regulate dominant platforms, including by protecting the right of sellers to set their own prices, which would stop a marketplace from retaliating against sellers who offer lower prices on other sites.)

Because Amazon’s market domination strategy relies on the integration of its different divisions, policymakers should focus on undoing that integration.

Although policymakers have pursued breakups infrequently in the last few decades, a period in which antitrust enforcement has been dominated by pro-consolidation thinking, “structural separation” was a common solution to monopoly power prior to the 1980s.⁷⁹ And even in the

years since, corporate breakups have remained widespread: thousands occur each year as executives divest and spin off divisions to satisfy the aims of shareholders.⁸⁰ The business sector “sees divestitures as a routine part of effective governance.”⁸¹ Policymakers should as well.

Amazon has reacted to the growing momentum in Congress by launching a massive lobbying campaign to stop reform. It claims that the bills would compel it to kick third-party sellers off its platform. “These bills would jeopardize Amazon’s ability to operate a marketplace for sellers, potentially resulting in hundreds of thousands of American small and medium-sized businesses losing access to Amazon’s customers and services,” the tech giant maintains. Should Congress decide that both operating a dominant marketplace and selling on it creates an unacceptable conflict of interest, rather than splitting into separate companies, Amazon is threatening to shutter Marketplace entirely and operate simply as a retailer.

Amazon is bluffing. The data in this report make that abundantly clear. As much as Amazon may try to frighten lawmakers and sellers, the reality is that Marketplace is the fastest growing and most lucrative part of its operations. Marketplace alone is bigger than Facebook in terms of revenue. As a stand-alone company, it would be worth more than Amazon’s retail division. It’s highly profitable and in fact, there’s reason to believe it generates more profit even than AWS. Indeed, the idea that Amazon would shut down Marketplace is about as fanciful as suggesting that it would shutter AWS.

That Amazon thinks it can get away with such a claim is evidence of how little its business model is understood. People think of Amazon as a low-margin retailer with a high-margin cloud business attached. In fact, it’s two profit-gushing toll roads – Marketplace and AWS – that fund several money-losing schemes to sustain and grow its dominance.

Lawmakers need to see clearly what Amazon is, and the threat it poses to the very idea of open, democratically governed markets. The future of independent business depends on it. ■

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